

**EXECUTIVE SECRETARIAT**  
Routing Slip

| TO: |           | ACTION                    | INFO | DATE | INITIAL |
|-----|-----------|---------------------------|------|------|---------|
| 1   | DCI       |                           |      |      |         |
| 2   | DDCI      |                           |      |      |         |
| 3   | EXDIR     |                           |      |      |         |
| 4   | D/ICS     |                           |      |      |         |
| 5   | DDI       |                           |      |      |         |
| 6   | DDA       |                           |      |      |         |
| 7   | DDO       |                           |      |      |         |
| 8   | DDS&T     |                           |      |      |         |
| 9   | Chm/NIC   |                           |      |      |         |
| 10  | GC        |                           |      |      |         |
| 11  | IG        |                           |      |      |         |
| 12  | Compt     |                           |      |      |         |
| 13  | D/EE0     |                           |      |      |         |
| 14  | D/Pers    |                           |      |      |         |
| 15  | D/OEA     |                           |      |      |         |
| 16  | C/PAD/OEA |                           |      |      |         |
| 17  | SA/IA     |                           |      |      |         |
| 18  | AO/DCI    |                           |      |      |         |
| 19  | C/IPD/OIS |                           |      |      |         |
| 20  | NIO/EC0N  |                           | ✓    |      |         |
| 21  |           |                           |      |      |         |
| 22  |           |                           |      |      |         |
|     |           | SUSPENSE _____ Date _____ |      |      |         |

Remarks:

CC: Chm/NIC  
EXDIR  
C/EE0

*[Signature]*  
Executive Secretary  
4/15/83  
Date

THE WHITE HOUSE  
WASHINGTON

Executive Registry

83-1870/2

# CABINET AFFAIRS STAFFING MEMORANDUM

DATE: April 14, 1983 NUMBER: \_\_\_\_\_ DUE BY: \_\_\_\_\_  
SUBJECT: Cabinet Council on Economic Affairs - Minutes of April 5, 1983

|                     | ACTION                   | FYI                                 |                          | ACTION                              | FYI                                 |
|---------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|-------------------------------------|
| ALL CABINET MEMBERS | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Baker                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Vice President      | <input type="checkbox"/> | <input type="checkbox"/>            | Deaver                   | <input type="checkbox"/>            | <input type="checkbox"/>            |
| State               | <input type="checkbox"/> | <input type="checkbox"/>            | Clark                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Treasury            | <input type="checkbox"/> | <input type="checkbox"/>            | Darman (For WH Staffing) | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Defense             | <input type="checkbox"/> | <input type="checkbox"/>            | Harper                   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Attorney General    | <input type="checkbox"/> | <input type="checkbox"/>            | Jenkins                  | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Interior            | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Agriculture         | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Commerce            | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Labor               | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| HHS                 | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| HUD                 | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Transportation      | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Energy              | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Education           | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Counsellor          | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| OMB                 | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CIA                 | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| UN                  | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| USTR                | <input type="checkbox"/> | <input type="checkbox"/>            |                          | <input type="checkbox"/>            | <input type="checkbox"/>            |
| CEA                 | <input type="checkbox"/> | <input checked="" type="checkbox"/> | CCCT/Gunn                | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| CEQ                 | <input type="checkbox"/> | <input type="checkbox"/>            | CCEA/Porter              | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| OSTP                | <input type="checkbox"/> | <input type="checkbox"/>            | CCFA/Boggs               | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                     | <input type="checkbox"/> | <input type="checkbox"/>            | CCHR/Carleson            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                     | <input type="checkbox"/> | <input type="checkbox"/>            | CCLP/Uhlmann             | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                     | <input type="checkbox"/> | <input type="checkbox"/>            | CCMA/Bledsoe             | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|                     | <input type="checkbox"/> | <input type="checkbox"/>            | CCNRE/Boggs              | <input type="checkbox"/>            | <input type="checkbox"/>            |

REMARKS: Attached are minutes of the Cabinet Council on Economic Affairs meeting of April 5, 1983.

RETURN TO:

☐ Craig L. Fuller  
Assistant to the President  
for Cabinet Affairs  
456-2823

☒ Becky Norton Dunlop  
Director, Office of  
Cabinet Affairs  
456-2800

DCI  
EXEC  
REG

MINUTES  
CABINET COUNCIL ON ECONOMIC AFFAIRS

April 5, 1983  
8:45 a.m.  
Roosevelt Room

Attendees: The Vice President, Messrs. Regan, Block, Baldrige, Pierce, Watt, Stockman, Feldstein, Giuffrida, Harper, Williamson, Trent, Smith, Porter, McPherson, Wallis, Ikle, Bailey, Rhodes, Cicconi, Niskanen, Franklin, Ford, Ballinger, Krueger, Russell, Keel, Carleson, and Denend, Ms. Risque and Ms. Dunlop.

1. The Economic Impact of Strategic Stockpile Goals

The Council reviewed a paper, prepared by David Stockman, on the economic impact of strategic stockpile goals.

Mr. Stockman stated that his purpose in making a presentation to the Council on the impact of stockpile goals on current policy decisions and on mobilization planning was to encourage the Council to improve the economic advice included in this process. He noted that the underlying economic model will be reviewed this year for the first time since 1979. It is important for the revised model which emerges from this review to reflect the best possible economic policy guidance.

Mr. Stockman pointed out that at present we have approximately \$12.5 billion worth of stockpile inventory of a total stockpile goal valued at \$20.1 billion. However, \$4.9 billion worth of the current stockpile represents material held in excess of stockpile goals. Therefore, the inventory held against the stockpile goal is only \$7.6 billion. The stockpile goals for specific materials play a role in current decisions on federal spending levels, subsidy questions, and tariff issues.

Mr. Stockman described the method used to establish strategic stockpile goals. The method is based on a four year scenario. There is a year of warning following followed by a three year conventional war. Mobilization takes place during the warning year. An economic model is used to project civilian sector wartime material needs based on transitioning the economy to wartime production. Given these material needs, the stockpile goals are developed from an assessment of supply availability during wartime over the four year period.

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Mr. Stockman described several deficiencies in the current economic model, including:

1. A combination of extremely expansive economic policy prescriptions which may not be consistent when considered together;
2. A projection for the civilian economy which may be too robust considering wartime military needs;
3. Overly optimistic assumptions about industrial capacity which understate production bottlenecks likely to occur; and
4. Unrealistic assumptions about the reliability and availability of supply sources.

The Council discussed the current process to revise the economic model and other aspects of the method used to set stockpile goals. It was noted that there is an active effort underway within the Emergency Mobilization Preparedness Board (EMPB) to improve the stockpile goals. This review is in response to the President's instructions. There was no disagreement on the importance of the strategic stockpile. The problem of setting specific goals while maintaining the flexibility to respond to a broad range of possible contingencies is well understood by the Council. There was broad support for the current process within the EMPB to proceed reporting to the President through the National Security Council.

The Council considered the more specific question of how the economic policy guidance reflected in the model of the economy and elsewhere in the stockpile goals process might be improved. There was some feeling that many of the specific elements which arise in setting stockpile goals are addressed in relative isolation. When all of these specific elements are brought together, the result occasionally produces stockpile goals and policy prescriptions inconsistent with the Administration's broader economic policy objectives.

The Council agreed that there are two dimensions to the economic impact of the stockpile goals. The first is the impact on day-to-day decisions affecting federal spending levels, eligibility for federal subsidy programs, and tariff issues reflected in the various provisions of U.S. trade laws. The second is the quality of the economic guidance contained in the process used to set the stockpile goals in

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anticipation of a future war scenario. Both are important. As the EMPB develops its plan for this future scenario, it is important and appropriate to conduct periodic consultations with the CCEA, the policy body charged with broader economic policy matters and with providing advice on many of the day-to-day decisions. Secretary Regan will consult with Edwin Meese and William Clark to discuss the most appropriate means to establishing such an arrangement.

2. Reauthorization of General Revenue Sharing

The Council reviewed a paper, prepared by a working group composed of representatives of the Treasury Department, the Office of Management and Budget, the Office of Intergovernmental Affairs, and the Office of Policy Development, on an Administration position on the reauthorization of revenue sharing.

Mr. Carleson reported that the President's FY 1984 budget contains funds for revenue sharing. The Administration would prefer that reauthorization be carried out in the context of the block grant proposals contained in the Administration's federalism initiative. It appears now that the Congress will consider reauthorization of revenue sharing before considering our federalism initiative. There are two options. The first is to support a one year reauthorization with the view that subsequent years' authorizations will be in the context of the federalism initiative. The second is to seek a simple multiyear reauthorization of revenue sharing independent of the federalism initiative's progress.

The Council discussed the relative merits of the two options. Those supporting a one year reauthorization noted that this approach would provide the most leverage with the Congress to consider next year's reauthorization as part of the federalism initiative. Those supporting a simple multiyear extension felt that this approach offered the best chance to hold the program to projected Administration budget levels. A one year extension would mean that revenue sharing would be addressed again next summer during an election year. The likely result would be an authorization larger than the Administration is prepared to support.

There was insufficient time to conclude the discussion. The Chairman Pro Tempore requested the Executive Secretary to make this the first item on the Council's next meeting agenda.